Somerfield Pension Increase 2020 FAQs

How would the Proposal affect me?

When your pension comes into payment, RPI increases will be calculated in line with increases over the 12 month period to the preceding 30 November each year instead of the 12 month period to the preceding 31 December. The use of the RPI index to determine increases would be unchanged – it is just the reference period that would change.

There is a possibility that the increase to members' pensions in a particular year based on the RPI increase over to the year to 30 November is lower than the increase that would have applied based on the RPI increase over to the year to 31 December. Equally, the Proposal could lead to a higher increase in a particular year. The following year the reverse might occur. Crucially, if the Proposal is implemented, members are not *expected* to be worse off as a result – any difference in a particular increase would reflect year on year variation in the two RPI figures, rather than any deliberate attempt to reduce benefits or save money. As such, the Trustee would not be seeking to mitigate the impact if the increase under the Proposal in a future year is different to what would have previously applied.

Why is this Proposal being made?

The Proposal to move the RPI reference period from 31 December to 30 November is being made purely for practical reasons, to ensure that the RPI increase figure has been published by the ONS each year in time for the Pensions Department to calculate and apply members' increased pensions before the February payment is made.

It is not about reducing members' benefits or saving money.

Can the Trustee make this change without me agreeing to it?

Yes, but the Trustee will only decide whether or not to proceed with the Proposal once it has considered any representations made to it by the Scheme's members before 4 November 2020. However, the Trustee cannot and would not proceed with the Proposal unless the Scheme Actuary is able to certify that the overall "actuarial value" of a member's pension will be maintained.

What is "actuarial equivalence" and "actuarial value"?

'Actuarial equivalence' is a way of comparing the current value of a member's pension if the Proposal is implemented, and if it is not. The Proposal cannot be implemented if it would reduce the current 'actuarial value' of a member's pension. This is a legal requirement which ensures that the current value of a member's pension is expected to be maintained, at the date that the change is made.

At the time the Trustee decides whether or not to proceed with the Proposal the Scheme Actuary will need to certify in accordance with the legislation that, at that time, the value of a pension which has future increases based on increases in RPI over the year to 30 November is "actuarially equivalent" to the value of a pension which has increases based on increases in RPI over the year to 31 December.

The Trustee cannot and will not proceed with the Proposal unless the Scheme Actuary is able to confirm that the overall "actuarial value" of a member's pension will be maintained.

How would the Trustee make the change?

The change would be made by the Co-op and Trustee amending the Scheme's Trust Deed and Rules. As noted above, there are protections, however, which prevent the Trustee amending the Trust Deed and Rules in a way which would reduce the overall "actuarial value" of a member's pension.